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SPECIAL REPORTApproved for Release
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SUBJECT: Allende After the Inaugural

1. Despite Allende's publicly proclaimed Marxism and his desire to turn Chile into a Marxist state, he probably will be forced to pursue a policy of relative moderation during the early part of his Presidency. Immediately following the inauguration, Allende will be confronted with major economic, political and military pressures which will retard the implementation of his campaign program.

2. Allende will face grave difficulties in the economic sector. To improve the economic situation in Chile, he is likely to take immediate action to prevent a drastic downswing in the economy, to stabilize the dollar outflow, and to retain the highly-skilled Chilean technicians and managers. Although Allende intends to carry through with the nationalization of the copper and petroleum enterprises and the redistribution of land, he will have to move cautiously and gradually in implementing this program in order to prevent an economic crisis.

3. Allende will face grave political difficulties. He will be confronted with the problem of uniting his heterogenous supporters into an effective government and gaining the support of PDC and PN in Congress. Allende has previously stated his intention of maintaining the plurality of parties, and his determination not to be manipulated by any one group. Nonetheless, in the long run, Allende will probably have to face the dilemma of making a choice between a Communist government with Soviet support and a democratic government with PDC support.

4. Allende will face grave difficulties in the military sector. Because of the long Chilean tradition of military non-interference in politics, they have apparently decided for the

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present to allow Allende to assume the presidency. It is clear, however, that a sizable segment of the military is unhappy about turning over the government to a Marxist. If Allende prematurely abuses the Constitutional process, this segment of the military will probably take action to oust him.

5. In view of these pressures, it is likely that Allende will accept Castro's advice: (1) keep copper exports within the dollar area, (2) keep Chilean copper industry technicians at home, (3) avoid revolutionary rhetoric, (4) continue relations with the U.S., and (5) maintain good relations with the Chilean military.

6. If Allende, however, is given an opportunity to rally popular support and to alleviate the economic, political and military pressure presently confronting him, he probably will attempt to hasten the pace of his Marxist program. Such an opportunity might be an unsuccessful coup attempt by General Viaux.

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